

FY 2008-09 BUDGET

BUDGET SECTION SUMMARY

Section Title:

SANITATION ZONE - PENNGROVE

A. Program Description

This budget finances the maintenance, construction, debt service, and administration of a collection system and pumping station which serves the Penngrove area. Raw sewage is pumped to the City of Petaluma for treatment and disposal. These services are provided by Petaluma pursuant to an agreement between the two entities. The City of Petaluma charges the Penngrove Sanitation Zone (SZ) for treatment on the basis of Equivalent Single Family Dwellings (ESDs).

B. Financial Summary

Section	GROSS EXPENDITURES			NET COST/USE OF FUND BALANCE		
	FY 07-08 Adopted	FY 08-09 Requested	Percent Change	FY 07-08 Adopted	FY 08-09 Requested	Percent Change
Operations	\$499,600	\$548,000	9.69%	\$84,758	\$96,786	14.19%
Bonds	7,002	6,477	(7.50%)	(8,429)	(8,941)	6.07%
Construction	704,000	83,000	(88.21%)	699,250	75,000	(89.27%)
TOTAL:	\$1,210,602	\$637,477	(47.34%)	\$775,579	\$162,845	(79.00%)

C. Staffing Summary

No staffing is allocated to this index.

D. Workload Summary

Workload Indicator	FY 06-07 Actual	FY 07-08 Budget Estimate	FY 07-08 Revised Estimate	FY 08-09 Projected	Change from FY 07-08 Budget Estimate
Total ESDs	506	511	510	510	(0.20%)
Total APNs	407	409	406	406	(0.73%)

E. Summary of Issues and Significant Changes

Agency operations in the Penngrove Sanitation Zone (Penngrove SZ) are limited to administrative services and operation/maintenance of the collection system and pumping station. The wastewater collected by the Penngrove SZ collection system flows through the City of Petaluma's collection system to the Petaluma wastewater treatment plant. Wastewater generated by the Penngrove SZ and Petaluma is treated to meet secondary standards at the City of Petaluma's treatment plant.

Petaluma is constructing a new wastewater treatment plant that meets advanced (tertiary) wastewater treatment standards. The project is expected to cause a significant increase in the annual service charge over the next several years. The City of Petaluma has approved rate increases that total almost 100% over the next four years.

The proposed FY 08-09 annual sewer service charges for Penngrove SZ is \$889 per equivalent single family dwelling, which represents a \$73 or 9.0% increase over FY 07-08. This increase is primarily attributable to the significant increases to the commercial sewer rate proposed by the City of Petaluma. It may be noted that future rate increases for the Penngrove SZ may have to closely mirror the projected increases by the City of Petaluma.

Connection fees continue to be collected for the future expansion of the collection system and part of Penngrove's share of the cost to upgrade and expand the City of Petaluma's wastewater treatment and reclamation facilities.

For the past several years, the Penngrove SZ has been using its fund balance to reduce rate increases associated with increased treatment costs being charged by the City of Petaluma. This has significantly reduced operating reserve. Rates will need to be increased over the next several years at rates over inflation to restore the financial reserves and for increased treatment costs. Until these reserves are restored to prudent levels, the Zone will not be able to fund capital replacement projects.

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F. Summary of Reduction Options

No reduction options are proposed.

G. Attachments

- Summary of Revenues and Expenditures
- Character Justification
- Statement of Special Fund Activity

FY 2008-09 BUDGET

SUMMARY OF REVENUES AND EXPENDITURES

Section Title: **SANITATION ZONE - PENNGROVE - OPERATIONS**
 Section/Index No: **680108**

Sub-Object No. and Title	Adopted 2007-08	Requested 2008-09	Difference	Percent Change
REVENUES:				
<u>TAXES</u>				
1001 Flat Charges - CY	\$402,239	\$437,352	\$35,113	8.73%
1061 Flat Charges - PY	2,500	2,500	0	0.00%
1120 Penalties/Costs on Taxes	250	250	0	0.00%
Subtotal Taxes	\$404,989	\$440,102	\$35,113	8.67%
<u>USE OF MONEY</u>				
1700 Interest on Pooled Cash	\$3,325	\$4,000	\$675	20.30%
Subtotal Use of Money	\$3,325	\$4,000	\$675	20.30%
<u>CHARGES FOR SERVICES</u>				
3400 Sanitation Services	\$6,528	\$7,112	\$584	8.95%
Subtotal Charges for Services	\$6,528	\$7,112	\$584	8.95%
TOTAL REVENUES	\$414,842	\$451,214	\$36,372	8.77%

EXPENDITURES:

SERVICES AND SUPPLIES

6040 Communications	\$500	\$500	\$0	0.00%
6140 Maintenance - Equipment	5,000	5,000	0	0.00%
6180 Maintenance - Bldgs / Impr	20,000	20,000	0	0.00%
6522 District Services	5,000	5,000	0	0.00%
6523 District Operations	45,000	70,000	25,000	55.56%
6570 Consultant Services	0	22,000	22,000	N/A
6573 Administration Costs	3,100	3,500	400	12.90%
6610 Legal Services	1,000	1,000	0	0.00%
6629 Fiscal Accounting Services	3,500	3,500	0	0.00%
7000 Special Departmental Exp	320,000	320,000	0	0.00%
7206 Equipment Usage Charge	5,000	5,000	0	0.00%
7217 State Permits / Fees	0	1,000	1,000	N/A
7320 Utilities	7,500	7,500	0	0.00%
Subtotal Services and Supplies	\$415,600	\$464,000	\$48,400	11.65%

FY 2008-09 BUDGET
SUMMARY OF REVENUES AND EXPENDITURES

Sub-Object No. and Title	Adopted 2007-08	Requested 2008-09	Difference	Percent Change
<u>OTHER CHARGES</u>				
7980 Depreciation	\$76,000	\$76,000	\$0	0.00%
<i>Subtotal Other Charges</i>	<u>\$76,000</u>	<u>\$76,000</u>	<u>\$0</u>	<u>0.00%</u>
<u>OTHER FINANCING USES</u>				
8625 OT - W/in Special Dist - BOS	\$0	\$0	\$0	N/A
<i>Subtotal Other Financing Uses</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>N/A</u>
<u>APPROPRIATIONS FOR CONT</u>				
9000 Appropriations for Contingencies	\$8,000	\$8,000	\$0	0.00%
<i>Subtotal Appropriations for Contin.</i>	<u>\$8,000</u>	<u>\$8,000</u>	<u>\$0</u>	<u>0.00%</u>
<u>TOTAL EXPENDITURES</u>				
	\$499,600	\$548,000	\$48,400	9.69%
<u>TOTAL NET COST</u>				
<i>(Expenditures Minus Revenues)</i>	\$84,758	\$96,786	\$12,028	14.19%

FY 2008-09 BUDGET
CHARACTER JUSTIFICATION

Department - Division: Sonoma County Water Agency - Sanitation

Section Title: Sanitation Zone - Penngrove - Operations

Character Title: Taxes

Character No.: 680108-10

1001 Flat Charges - CY

Flat charge revenue from annual service charges is expected to increase from the adopted FY 07-08 budget. The rate will increase 9.0%, from \$816 to \$889.

ESDs times annual rate:	502	x	\$889	\$446,278
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Less Estimated Delinquency Factor:	2%		(8,926)	
			<hr/>	\$437,352

(See SubObject 3400 for Total ESDs)

1061 Flat Charges - PY

This item records the estimated delinquent amount of prior years sewer service charges.

1120 Penalties / Costs on Taxes

This item records penalties paid on delinquent sewer service charges.

Character Title: Use of Money

Character No.: 680108-17

1700 Interest on Pooled Cash

This account records interest on pooled cash held for the Zone by the County Treasurer's office. Estimated interest is projected based on cash on hand and current interest rate trends.

Estimated Average Cash Balance	\$100,000
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Projected Interest Rate	4.00%
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Projected/Planned Interest on Pooled Cash	<hr/> \$4,000
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Character Title: Charges for Services

Character No.: 680108-30

3400 Sanitation Services

This account records annual sewer service charges for entities that are invoiced, rather than collected as flat charges on the tax roll, and for new hook-ups as they occur during the year. The Sanitation Rate Ordinance requires that charges be collected at the time permits are issued. The properties are then added to the tax roll master listing and collected through sub-object 1001, Flat Charges-CY, in the following year.

Based on projected FY 08-09 ESDs, the Zone will experience an increase in revenue from invoiced entities. The budgeted revenue reflects an increase in the annual sewer service charge from \$816 to \$889.

ESDs x Annual Charge	8	x	\$889	=	\$7,112
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6040 Communications

This account records expenses paid by the Zone for outside communication and wireless services.

6140 Maintenance - Equipment

This account records the costs for routine maintenance of equipment.

6180 Maintenance - Bldgs / Impr

This account records the cost of parts and materials required to maintain the collection system. The requested amount will cover work such as repair or replacement of certain manholes and pumps, as well as reconfiguration of some of the collection system plumbing in order to handle increased flows coming into the pump station.

6522 District Services

This accounts records the service and supply type items associated with operations and maintenance of the Zone's facilities.

6523 District Operations

This account records the cost of labor and overhead associated with operations and maintenance of the Zone's facilities. Our recent cost experience indicated that higher costs may incur during the forthcoming year.

6570 Consultant Services

This account records the cost of consultant services for work performed on the Sanitary Management Plan (\$19,000) PJ 7065-08 and the ARC Flash Study (\$3,000) PJ 7176-04.

6573 Administration Costs

This account represents the 3% administration fee assessed by the County for processing collection of flat charges on the tax roll.

6610 Legal Services

This item is requested to provide funds for the estimated cost of legal services to be provided by County Counsel, or outside legal services, as required.

6629 Fiscal Accounting Services

This item records the direct charge for services provided by the Fiscal Services Section of the County Auditor Controller's Office for staff costs attributed to Zone's accounting.

7000 Special Departmental Expense

The Penngrove Sanitation Zone does not have a sewer treatment plant. Rather, the Zone has an agreement with the City of Petaluma to accept and treat sewage. The amount requested for the forthcoming year reflects the current year budget consistent with planned rate increases by the City of Petaluma to fund the design and construction of a new treatment plant that meets advanced wastewater treatment (AWT) standards.

7206 Equipment Usage Charges

This item is requested to provide funds for equipment usage.

Character Title: **Services and Supplies (Continued)**

Character No.: **680108-60**

7217 State Permits / Fees

This account records the cost of District permits related to NPDES, as mandated by the Regional Water Quality Control Board.

7320 Utilities

This account records the cost of payments made for utilities such as gas, electricity, and water.

Character Title: **Other Charges**

Character No.: **680108-75**

7980 Depreciation

Generally Accepted Accounting Principles require that depreciation be expensed each year.

Character Title: **Other Financing Uses**

Character No.: **680108-86**

8625 OT - W/in Special Dist - BOS

This account reflects the transfer of cash from the Operations Fund to the Construction Fund to finance the capital replacement program. If the Operations Fund does not have sufficient cash available to finance planned capital projects, the transfer will not be made and any uncompleted projects will be rescheduled and rebudgeted in the next fiscal year. No operating transfer will be budgeted for FY 08-09.

Character Title: **Appropriations for Contingencies**

Character No.: **680108-90**

9000 Appropriations for Contingencies

This account provides funding for unanticipated expenditures or revenue shortfalls.

FY 2008-09 BUDGET

STATEMENT OF SPECIAL FUND ACTIVITY

Department: Sonoma County Water Agency - Sanitation

Section: Sanitation Zone - Penngrove - Operations

Index No.: 680108

DESCRIPTION OF FUND ACTIVITY	Actual FY 06-07	Estimated FY 07-08	Requested FY 08-09
Undesignated/Unreserved <u>BEGINNING</u> Fund Balance			
Available for Budgeting (See Detailed Components Below)	\$110,955	\$124,517	\$94,881
Annual Revenues and Expenditures:			
Revenues - Increase fund balance	400,572	423,797	451,214
Expenditures - (Decrease) fund balance	(423,435)	(488,847)	(548,000)
Net Surplus or Deficit - Increase/(Decrease) to fund balance	(22,863)	(65,050)	(96,786)
Adjustments to Reserves/Encumbrances:			
7980 - Depreciation	36,425	35,414	76,000
Net Adjustment - Increase/(Decrease) to Fund Balance	36,425	35,414	76,000
Undesignated/Unreserved <u>ENDING</u> Fund Balance			
Available for Budgeting	\$124,517	\$94,881	\$74,095
Total Increase/(Decrease) in Fund Balance for Fiscal Year <i>(Difference between Beginning and Ending Balance)</i>	\$13,562	(\$29,636)	(\$20,786)
<u>Fund Balance Components at Beginning of FY</u>	7/1/06	7/1/07	
Cash	\$503,764	\$261,925	
Other Receivables	5,437	8,197	
Accounts Payable	(398,246)	(145,605)	
Total Beginning Fund Balance	\$110,955	\$124,517	

FY 2008-09 BUDGET

SUMMARY OF REVENUES AND EXPENDITURES

Section Title: **SANITATION ZONE - PENNGROVE - BONDS**
 Section/Index No: **680207**

Sub-Object No. and Title	Adopted 2007-08	Requested 2008-09	Difference	Percent Change
REVENUES:				
<u>TAXES</u>				
1000 Prop Taxes - CY Secured	\$14,000	\$14,000	\$0	0.00%
1020 Prop Taxes - CY Supplemental	500	500	0	0.00%
1040 Prop Taxes - CY Unsecured	500	500	0	0.00%
Subtotal Taxes	\$15,000	\$15,000	\$0	0.00%
<u>USE OF MONEY</u>				
1700 Interest on Pooled Cash	\$81	\$68	(\$13)	(16.05%)
Subtotal Use of Money	\$81	\$68	(\$13)	(16.05%)
<u>INTERGOVERNMENTAL REVENUES</u>				
2440 St - HOPTR	\$350	\$350	\$0	0.00%
Subtotal Intergovernmental Revenues	\$350	\$350	\$0	0.00%
TOTAL REVENUES	\$15,431	\$15,418	(\$13)	(0.08%)
EXPENDITURES:				
<u>SERVICES AND SUPPLIES</u>				
6635 Fiscal Agent Fees	\$52	\$52	\$0	0.00%
Subtotal Services and Supplies	\$52	\$52	\$0	0.00%
<u>OTHER CHARGES</u>				
7920 Interest	\$6,950	\$6,425	(\$525)	(7.55%)
Subtotal Other Charges	\$6,950	\$6,425	(\$525)	(7.55%)
<u>ADMINISTRATIVE CONTROL ACCOUNT</u>				
9200 Ent - Principal	\$10,000	\$11,000	\$1,000	10.00%
9209 Ent - Principal Clearing	(10,000)	(11,000)	(1,000)	10.00%
Subtotal Administrative Control	\$0	\$0	\$0	N/A
TOTAL EXPENDITURES	\$7,002	\$6,477	(\$525)	(7.50%)
TOTAL NET COST (Expenditures Minus Revenues)	(\$8,429)	(\$8,941)	(\$512)	6.07%

FY 2008-09 BUDGET

CHARACTER JUSTIFICATION

Department - Division: Sonoma County Water Agency - Sanitation
Section Title: Sanitation Zone - Penngrove - Bonds

Character Title: Taxes

Character No.: 680207-10

1000 Prop Taxes - CY Secured

The Auditor-Controller establishes a tax rate sufficient to accumulate tax revenues necessary to make bond payments of interest and principal. The bonds were passed to fund construction of sewage facilities.

1020 Prop Taxes - CY Supplemental

The amount requested for property tax revenue is based on prior year actuals and current year estimates from the Auditor-Controller's office.

1040 Prop Taxes - CY Unsecured

The amount requested for property tax revenue is based on prior year actuals and current year estimates from the Auditor-Controller's office.

Note:

The FY 08-09 bond payment amount (principal and interest) is \$17,425. To avoid major fluctuations in the tax rate from year to year, the tax amount budgeted and/or collected each year may not correspond exactly to the annual bond payment (P&I). Over or under collection in any single year (when compared to the bond payment for that year) merely increases or decreases the fund balance retained in this index. The Auditor's long term tax rate calculations are designed to ensure that debt service obligations are met, while retaining an appropriate level of fund balance, and minimizing unnecessary tax rate fluctuations.

Character Title: Use of Money

Character No.: 680207-17

1700 Interest on Pooled Cash

This account records interest on pooled cash held for the Zone by the County Treasurer's office. Estimated interest is projected based on cash on hand and current interest rate trends.

Estimated Average Cash Balance	\$1,700
Projected Interest Rate	<u>4.00%</u>
Projected/Planned Interest on Pooled Cash	\$68

Character Title: Services and Supplies

Character No.: 680207-60

6635 Fiscal Agent Fees

This account records the fee collected by the County Treasurer for acting as the fiscal agent.

Character Title: Other Charges

Character No.: 680207-75

7920 Interest

This account reflects the interest expense on the outstanding general obligation bonds. The interest rate is 5%. Payments began March 1, 1978 and will continue semi-annually until September 1, 2017. The request for the forthcoming year is based on the bond amortization schedule prepared at the time the bonds were sold.

Character Title: Administrative Control

Character No.: 680207-92

9200 Ent - Principal

This account reflects the principal expense for general obligation bonds that were issued in 1977 to finance the local share of a wastewater collection system. Payments on the bonds will continue until September 1, 2017. The FY 08-09 request is based on the bond amortization schedule prepared at the time the bonds were sold.

The following reflects the bond principal payment history to date:

Original Amount of the General Obligation Bond Issue:	\$300,000
Total FY 77-78 through FY 06-07 Principal Payments:	(156,000)
FY 07-08 Principal Payment:	<u>(10,000)</u>
Outstanding Bond Amount	\$134,000

9209 Ent - Principal Clearing

This is the clearing account for sub-object 9200, Ent - Principal.

FY 2008-09 BUDGET

STATEMENT OF SPECIAL FUND ACTIVITY

Department: Sonoma County Water Agency - Sanitation
Section: Sanitation Zone - Penngrove - Bonds
Index No.: 680207

DESCRIPTION OF FUND ACTIVITY	Actual FY 06-07	Estimated FY 07-08	Requested FY 08-09
Undesignated/Unreserved BEGINNING Fund Balance			
Available for Budgeting (See Detailed Components Below)	\$5,595	\$4,331	\$2,073
Annual Revenues and Expenditures:			
Revenues - Increase fund balance	16,069	15,744	15,418
Expenditures - (Decrease) fund balance	(7,333)	(7,002)	(6,477)
Net Surplus or Deficit - Increase/(Decrease) to fund balance	8,736	8,742	8,941
Adjustments to Reserves/Encumbrances:			
9200 - Enterprise Principal	(10,000)	(10,000)	(11,000)
Change in Matured Bonds Payable	-	(1,000)	-
Net Adjustment - Increase/(Decrease) to Fund Balance	(10,000)	(11,000)	(11,000)
Undesignated/Unreserved ENDING Fund Balance			
Available for Budgeting	\$4,331	\$2,073	\$14
Total Increase/(Decrease) in Fund Balance for Fiscal Year <i>(Difference between Beginning and Ending Balance)</i>	(\$1,264)	(\$2,258)	(\$2,059)
<u>Fund Balance Components at Beginning of FY</u>	<u>7/1/06</u>	<u>7/1/07</u>	
Cash	\$18,162	\$16,731	
Matured Bonds Payable	(10,000)	(10,000)	
Interest Payable	(2,567)	(2,400)	
Total Beginning Fund Balance	\$5,595	\$4,331	

FY 2008-09 BUDGET

SUMMARY OF REVENUES AND EXPENDITURES

Section Title: SANITATION ZONE - PENNGROVE - CONSTRUCTION
Section/Index No: 680306

Sub-Object No. and Title	Adopted 2007-08	Requested 2008-09	Difference	Percent Change
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REVENUES:

USE OF MONEY

1700 Interest on Pooled Cash	\$4,750	\$8,000	\$3,250	68.42%
Subtotal Use of Money	\$4,750	\$8,000	\$3,250	68.42%

OTHER FINANCING SOURCES

4625 OT - W/in Special Dist - BOS	\$0	\$0	\$0	N/A
Subtotal Other Financing Sources	\$0	\$0	\$0	N/A

TOTAL REVENUES	\$4,750	\$8,000	\$3,250	68.42%
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EXPENDITURES:

FIXED ASSETS

8510 Buildings / Improvements	\$0	\$0	\$0	N/A
9142 Capital Replacement Program	704,000	83,000	(621,000)	(88.21%)
Subtotal Fixed Assets	\$704,000	\$83,000	(\$621,000)	(88.21%)

TOTAL EXPENDITURES	\$704,000	\$83,000	(\$621,000)	(88.21%)
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TOTAL NET COST <i>(Expenditures Minus Revenues)</i>	\$699,250	\$75,000	(\$624,250)	(89.27%)
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FY 2008-09 BUDGET CHARACTER JUSTIFICATION

Department - Division: Sonoma County Water Agency - Sanitation
Section Title: Sanitation Zone - Penngrove - Construction

Character Title: Use of Money

Character No.: 680306-17

1700 Interest on Pooled Cash

This account records interest on pooled cash held for the Zone by the County Treasurer's office. Estimated interest is projected based on cash on hand and current interest rate trends.

Estimated Average Cash Balance	\$200,000
Projected Interest Rate	<u>4.00%</u>
Projected/Planned Interest on Pooled Cash	\$8,000

Character Title: Other Financing Sources

Character No.: 680306-46

4625 OT - W/in Special Dist - BOS

This account reflects the transfer of cash from the Operations Fund to the Construction Fund to finance the capital replacement program. If the Operations Fund does not have sufficient cash available to finance planned capital projects, the transfer will not be made and any uncompleted projects will be rescheduled and rebudgeted in the next fiscal year. No operating transfer will be budgeted for FY 08-09.

Character Title: Fixed Assets

Character No.: 680306-85

8510 Buildings / Improvements

This account reflects funds for treatment plant upgrade. No funds will be budgeted for FY 08-09.

9142 Capital Replacement Program

The amount requested for the forthcoming year is intended to be used for the work on the Sewer Rehabilitation Project to reduce inflow and filtration. The current budget item will fund construction and contract administration costs.

FY 2008-09 BUDGET
STATEMENT OF SPECIAL FUND ACTIVITY

Department: Sonoma County Water Agency - Sanitation
Section: Sanitation Zone - Penngrove - Construction
Index No.: 680306

DESCRIPTION OF FUND ACTIVITY	Actual FY 06-07	Estimated FY 07-08	Requested FY 08-09
Undesignated/Unreserved <u>BEGINNING</u> Fund Balance			
Available for Budgeting (See Detailed Components Below)	\$768,079	\$806,697	\$279,624
Annual Revenues and Expenditures:			
Revenues - Increase fund balance	50,059	41,927	8,000
Expenditures - (Decrease) fund balance	(5,279)	(569,000)	(83,000)
Net Surplus or Deficit - Increase/(Decrease) to fund balance	44,780	(527,073)	(75,000)
Adjustments to Reserves/Encumbrances:			
Capitalized Interest	(6,162)	-	-
Net Adjustment - Increase/(Decrease) to Fund Balance	(6,162)	-	-
Undesignated/Unreserved <u>ENDING</u> Fund Balance			
Available for Budgeting	\$806,697	\$279,624	\$204,624
Total Increase/(Decrease) in Fund Balance for Fiscal Year (Difference between Beginning and Ending Balance)	\$38,618	(\$527,073)	(\$75,000)
<u>Fund Balance Components at Beginning of FY</u>	7/1/06	7/1/07	
Cash	\$768,079	\$806,697	
Total Beginning Fund Balance	\$768,079	\$806,697	